IPI Grew Faster at +3.0%yoy in Jun-25 Due to Stronger Manufacturing Output

Economic Review
Jun-25 Industrial Production



Author
MIDF Research
research@midf.com.my

- Malaysia's IPI increased faster by +3.0%yoy in Jun-25 (May-25: +0.3%yoy), underpinned by the stronger manufacturing output as well as rebound in the electricity generation.
- Sales of manufactured goods rose faster by +3.3%yoy in Jun-25 (May-25: +2.4%yoy), extending the year-on-year expansion for the 18th straight month. Products which recorded higher sales growth include consumer electronics, iron & steel, and electrical capacitor resistor, circuit board & display components.
- We maintain our projection that Malaysia's IPI growth will moderate to +2.0% this year (2024: +3.7%), taking into account the possible impact of higher tariffs on external trade. Earlier front-loading and growing domestic demand will still keep IPI growth in the positives.

IPI growth accelerated to +3.0%yoy in Jun-25.

Malaysia's IPI increased faster by +3.0%yoy in Jun-25 (May-25: +0.3%yoy), surpassing market consensus (+1.0%yoy). The stronger expansion was in contrast to our expectations for a weaker IPI growth (-0.5%yoy) in view of the steeper fall in exports during the month. Nevertheless, the higher production in Jun-25 was mainly underpinned by the stronger manufacturing output (+3.6%yoy; May-25: +2.8%yoy) as well as rebound in the electricity generation. Among manufactured products which recorded stronger output growth are E&E, machinery & equipment, basic metals, food & beverages and motor vehicles. Meanwhile, mining output growth was flat in Jun-25, an improvement from sharp -10.2%yoy contraction in May-25, driven by the rebound in LNG production which offset the continued decline in crude oil output. Despite the stronger reading in Jun-25, IPI growth moderated to +2.0%yoy in 2QCY25 (1QCY25: +2.3%yoy), weighed down by sharper fall in mining output (2QCY25: -5.5%yoy; 1QCY25: -3.3%yoy) and moderation in manufacturing output (+3.9%yoy; 1QCY25: +4.2%yoy). Although moderation in the quarterly IPI growth signals slightly slower economic growth especially for the goods-producing industries, the faster expansion in the services sector on the back of growing domestic spending will likely sustain Malaysia's GDP growth above +4.0%yoy in 2QCY25 as shown by the advance GDP estimate.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	Mar-25	Apr-25	May-25	Jun-25	Mar-25	Apr-25	May-25	Jun-25
IPI	**1.8**	**(0.2)**	**(1.4)**	**2.8**	**3.2**	**2.7**	**0.3**	**3.0**
Mining	10.6	(6.8)	(14.3)	17.6	1.9	(6.3)	(10.2)	0.0
Manufacturing	(0.1)	1.5	1.0	(0.4)	4.0	5.6	2.8	3.6
Electricity	(1.1)	(0.1)	3.1	2.1	(2.2)	(1.7)	(0.1)	4.1

* MoM is seasonally adjusted
Source: Macrobond, DOSM, MBSBR

IPI rebounded after 2 months of sequential declines

Based on the seasonally adjusted data, IPI rebounded to +1.3%mom in Jun-25 (May-25: -1.4%mom) mainly due to the sharp rebound in mining output (+17.6%mom) and sustained rise in electricity output (+2.1%mom). Manufacturing output, however, recorded a monthly decline of -0.4%mom in Jun-25 attributable to lower output in sub-sectors such as F&B and tobacco as well as motor vehicles & transport equipment. Given the improved LNG production and better manufacturing PMI, which rose further to 49.7 in Jul-25 (Jun-25: 49.3), we expect increased manufacturing output and stabilization in the mining output will continue to support IPI growth in the coming months. On the other hand, the risk of weaker external demand could constrain the production outlook particularly for commodities and export-oriented sectors.

Table 2: Changes in IPI Major Industries (YoY%)

	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
IPI	**4.6**	**2.1**	**1.5**	**3.2**	**2.7**	**0.3**	**3.0**
Mining	**0.9**	**(3.1)**	**(8.9)**	**1.9**	**(6.3)**	**(10.2)**	**0.0**
Crude Petroleum	(6.5)	(10.0)	(6.7)	2.2	(0.7)	(1.6)	(3.2)
Natural Gas	5.9	1.4	(10.3)	1.8	(10.0)	(16.6)	2.3
Manufacturing	**5.8**	**3.7**	**4.8**	**4.0**	**5.6**	**2.8**	**3.6**
Food Products	7.3	7.6	11.6	8.8	13.2	12.4	10.2
Refined Petroleum Products	3.0	3.4	(0.8)	(2.6)	(3.9)	(4.8)	(2.0)
Chemicals & Chemicals Products	3.3	2.7	5.7	4.9	4.7	(1.1)	(1.2)
Rubber Products	11.9	8.6	4.3	4.2	2.9	(1.1)	(2.3)
Basic Metals	1.2	0.8	3.3	3.8	6.0	4.5	6.7
Electrical & Electronic Products	9.4	7.2	8.0	8.1	9.9	5.6	6.4
Computers & Peripheral Equipment	17.5	14.3	7.6	8.3	6.8	6.0	3.2
Machinery & Equipment	8.3	4.0	8.4	6.4	7.5	5.7	9.3
Motor Vehicles, Trailers & Semi-Trailers	(6.9)	(17.3)	(9.0)	(10.8)	(3.9)	(10.1)	3.4
Electricity	**3.5**	**(0.2)**	**(2.8)**	**(2.2)**	**(1.7)**	**(0.1)**	**4.1**

Source: Macrobond, MBSBR

Stronger output growth is mainly in the domestic-oriented industries

Domestic-oriented sectors registered stronger output growth in Jun-25 (+5.1%yoy; May-25: +2.6%yoy), while the IPI growth for the export-oriented sector was unchanged at +2.9%yoy. Among the domestic-oriented sectors, output of construction-related production increased at slightly slower pace of +3.3%yoy (May-25: +3.5%yoy), particularly due to slower expansion in output of fabricated metals and non-metallic minerals. Meanwhile, production of consumer products rose faster at +6.1%yoy (May-25: +2.1%yoy), driven by stronger output of F&B products and rebound in production of motor vehicles and tobacco. Looking at the export products, the sustained IPI growth reflects more robust production of electrical products and furniture and continued output growth for computers, electronics and optical products as well as oil & fats; more than offset the sharper contraction in output of selected manufactured goods such as rubber products, chemicals & chemical products, refined petroleum, textiles, wearing apparels and wood & wood products. We believe growing domestic demand will continue to support production of domestic-oriented industries, while export-oriented sectors continue to be exposed to the uncertain external demand outlook. Even though sectors such as semiconductors and some E&E products may be significantly hit by the higher US tariffs, we anticipate slower final demand could hurt export and production activities in 2HCY25.

Table 3: Changes in IPI for Export-Oriented Industries (YoY%)

	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
IPI: Export-Oriented Industries	**6.8**	**5.6**	**5.7**	**4.8**	**6.4**	**2.9**	**2.9**
Computer, Electronic and Optical Products	10.1	7.9	8.4	9.0	11.1	6.0	5.9
Electrical Equipment	4.6	5.1	5.4	2.9	3.9	3.0	7.1
Chemicals and Chemical Products	3.3	2.7	5.7	4.9	4.7	(1.1)	(1.2)
Coke and Refined Petroleum Products	3.0	3.4	(0.8)	(2.6)	(3.9)	(4.8)	(2.0)
Vegetable & animal oils & fats	5.3	8.9	17.7	10.6	22.8	15.9	8.5

Textiles	2.1	(3.4)	(3.5)	(3.1)	(2.5)	(3.4)	(4.3)
Wearing Apparel	(1.9)	0.8	5.1	3.4	3.1	(1.2)	(3.0)
Wood and Wood Products	6.2	3.2	3.6	2.5	3.4	2.6	(1.9)
Furniture	3.3	(0.1)	4.3	4.0	5.2	5.8	9.8
Rubber Products	11.9	8.6	4.3	4.2	2.9	(1.1)	(2.3)

Source: DOSM, MBSBR

Table 4: Changes in IPI for Domestic-Oriented Industries (YoY%)

	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
IPI: Domestic-Oriented Industries	**3.7**	**0.2**	**2.9**	**2.3**	**3.9**	**2.6**	**5.1**
Construction (CO)	4.0	2.7	4.3	4.0	5.1	3.5	3.3
CO: Non-Metallic Mineral	3.5	1.1	2.3	3.7	4.6	2.3	1.5
CO: Iron and Steel	1.2	0.8	3.3	3.8	6.0	4.5	6.7
CO: Fabricated Metal	6.0	4.8	6.4	4.2	5.0	3.7	2.4
Consumer (CS)	3.6	(1.3)	2.0	1.3	3.2	2.1	6.1
CS: Food Products	8.5	7.0	8.6	7.8	8.2	10.3	11.3
CS: Motor Vehicles, Trailers and Semi-Trailers	(6.9)	(17.3)	(9.0)	(10.8)	(3.9)	(10.1)	3.4
CS: Other Transport Equipment	0.6	(3.3)	(2.0)	(1.1)	(1.2)	(0.3)	(0.4)
CS: Beverages	11.8	5.0	6.2	6.3	6.1	7.2	10.4
CS: Tobacco Products	7.5	1.6	1.4	(2.0)	(1.2)	(1.3)	1.6
CS: Paper and Paper Products	2.2	(1.7)	1.2	(0.3)	0.3	(2.4)	(3.2)
CS: Others	3.6	6.5	3.4	3.1	2.9	0.8	1.1

Source: DOSM, MBSBR

Sales of manufactured goods also rose faster in Jun-25

Sales of manufactured goods rose faster in Jun-25, expanding by +3.3%yoy (May-25: +2.4%yoy), extending the year-on-year expansion for the 18th straight month. Among products which recorded higher sales growth in Jun-25 include consumer electronics, iron & steel, and electrical capacitor resistor, circuit board & display components. However, refined petroleum, chemicals and motor vehicles recorded lower sales, compared to one year ago. On month-on-month basis, manufacturing sales rebounded to +1.6%mom (May-25: -1.1%mom) where products such as E&E and consumer electronics recorded higher sales than the previous month. After removing the seasonal effects, the adjusted data, however, shows IPI weakened by -0.6%mom from May-25, which suggests the underlying strength of manufacturing sales was less encouraging compared to the previous months. We foresee domestic demand will continue to play a crucial role in supporting sales of manufactured goods, mitigating the weakness in foreign demand. For the commodities, particularly the refined petroleum products, we believe the current low global oil prices also affected exports and sales performance, apart from softer demand.

Table 5: Manufacturing Sales (MoM% and YoY%)

	MoM%			YoY%		
	Apr-25	May-25	Jun-25	Apr-25	May-25	Jun-25
Manufacturing Sales	**(2.4)**	**(1.1)**	**1.6**	**4.7**	**2.4**	**3.3**
Seasonally adjusted month-on-month change (%)	*0.8*	*0.5*	*(0.6)*	-	-	-
Refined Petroleum Products	7.0	(7.9)	23.6	(8.6)	(9.9)	(8.1)
Chemicals and Chemical Products	(3.8)	(5.6)	(2.1)	1.7	(2.5)	(2.7)
Rubber Gloves	(3.0)	(8.1)	(6.7)	5.9	5.0	2.6
Iron & Steel Products	(5.7)	(14.4)	(4.9)	6.8	6.0	7.7
Diodes, Transistor & Electronic Integrated Circuits Mic	(24.5)	6.6	5.6	11.1	4.7	0.0
Electrical Capacitor Resistor, Circuit Board & Display Comp	(15.5)	1.1	8.6	10.1	3.1	9.2
Computers & Peripherals Equipment	34.3	(14.9)	(1.4)	9.7	10.5	6.7
Consumer Electronics	(14.6)	27.6	8.1	8.7	11.0	12.4
Motor Vehicles	5.5	4.3	(20.0)	(13.1)	(23.9)	(10.8)

Source: Macrobond, DOSM, MBSBR

Sustained growth in global production

Industrial production in most countries continued to expand albeit at relatively slower pace in Jun-25, in line with the better global manufacturing PMI which rose to 50.5 (May-25: 49.5). In the US, IPI growth was sustained at +0.7%yoy, underpinned by increased manufacturing and utility output. Meanwhile, IPI in Japan rebounded to +4.0%yoy (May-25: -2.4%yoy), driven by higher production of transport equipment (excluding motor vehicles), electronic parts & devices, and machinery. In East Asia, Taiwan's production continued to expand robust at +18.6%yoy (May-25: +22.1%yoy) on the back of strong demand for information and electronic goods (+31.5%yoy) as well as chemicals, metal and machinery. Among regional economies, Singapore reported stronger IPI growth of +8.0%yoy (May-25: +3.6%yoy), which was the fastest expansion since Nov-24, underpinned by stronger output of electronics, biomedical manufacturing, chemicals and precision engineering. Meanwhile, IPI growth for other ASEAN economies namely Philippines and Thailand moderated to +1.8%yoy (May-25: +3.1%yoy) and +0.6%yoy (May-25: +1.9%yoy), respectively. In Philippines, weaker output of basic metals and refined petroleum weighed down on overall production growth, with slower growth seen in other products such as transport equipment, electrical equipment, and leather & tobacco products. In Thailand, the sustained IPI growth reflects increased production in automotive engineering, clothing & apparel, and electronic components & circuit boards, which offset the weaker production of food products and other resource-based products such as iron & steel, rubber & plastics and refined petroleum. We remain cautious that weaker foreign demand could affect production activities in the coming month, with the recent reading of global manufacturing PMI declining to 49.7. Despite optimism that the tariff rates imposed by the US are generally not as high as previously announced, manufacturers will take time to assess the future demand will be impacted by the higher tariffs.

Table 6: IPI for Selected Economies (YoY%)

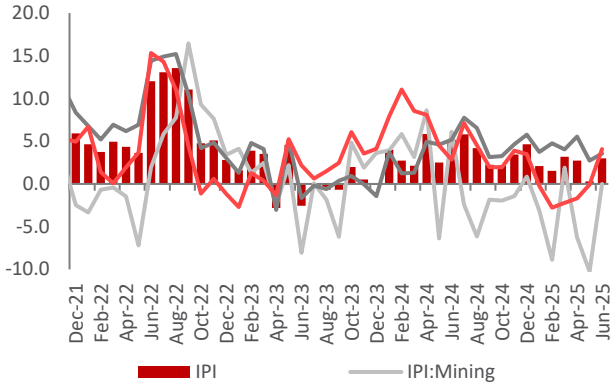
	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Malaysia	3.4	4.6	2.1	1.5	3.2	2.7	0.3	3.0
Philippines	(4.1)	0.1	3.3	(0.6)	(0.1)	2.5	3.1	1.8
Thailand	(3.3)	(1.8)	(1.1)	(3.9)	0.0	1.9	1.9	0.6
Singapore	10.8	5.0	5.3	1.1	7.6	3.9	3.6	8.0
S. Korea	(0.3)	4.4	(5.0)	6.5	4.5	5.1	(0.3)	1.6
Taiwan	10.4	19.8	4.9	18.2	12.8	23.7	22.1	18.6
India	5.0	3.7	5.2	2.7	3.9	2.6	1.9	1.5
Japan	(3.3)	(2.2)	2.2	0.1	1.0	0.5	(2.4)	4.0
Euro area	(1.9)	(1.7)	(0.5)	0.8	3.6	0.2	3.7	n.a.
USA	(0.9)	0.4	1.4	1.2	1.1	1.3	0.7	0.7

*n.a.: not available
Source: Macrobond, MIDFR

Still expect IPI growth to grow moderately at +2.0% this year.

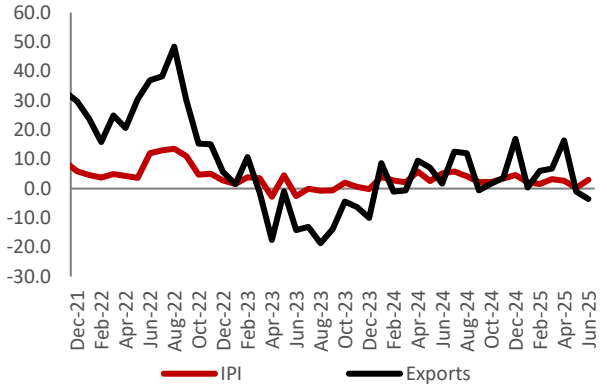
We maintain our projection that Malaysia's IPI growth will moderate to +2.0% this year (2024: +3.7%), taking into account the possible impact of higher tariffs on external trade. Earlier front-loading and growing domestic demand will still keep IPI growth in the positives. We continue to expect sustained growth in domestic spending and local business activities will continue to drive production of domestic-oriented goods. On the external front, we expect producers and exporters will closely monitor the risk of slower external demand due to higher import costs and potentially weaker economic growth in major markets such as the US and China.

Chart 1: IPI Performance by Sector (YoY%)



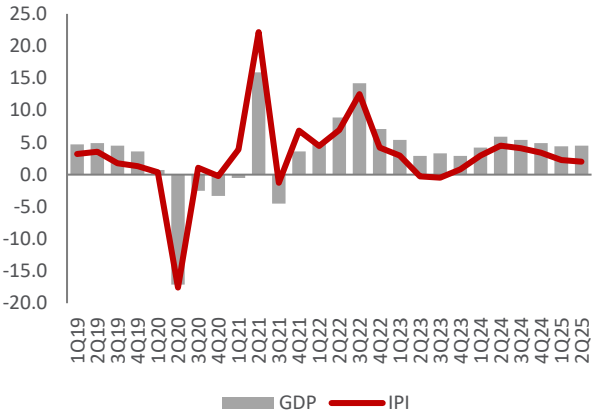
Source: Macrobond, MBSBR

Chart 2: IPI vs Exports (YoY%)



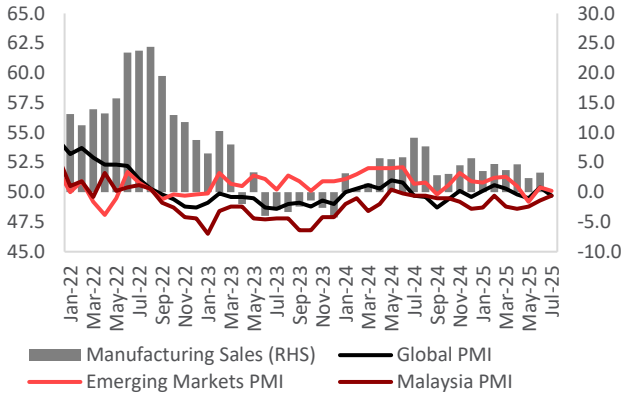
Source: Macrobond, MBSBR

Chart 3: IPI vs GDP (YoY%)



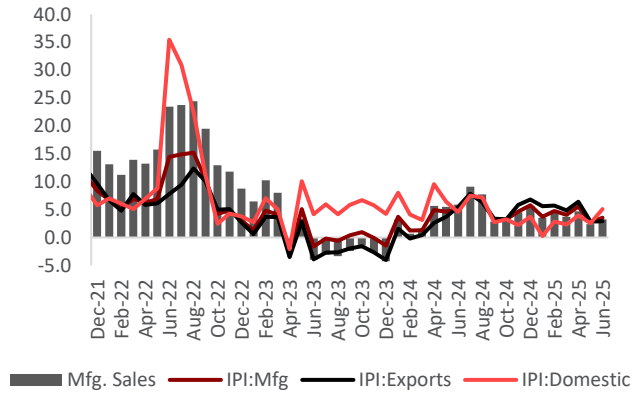
Note: 2QCY25 GDP growth refers to advance estimate
Source: Macrobond, MBSBR

Chart 4: Mfg. Sales (YoY%) vs PMI (Points)



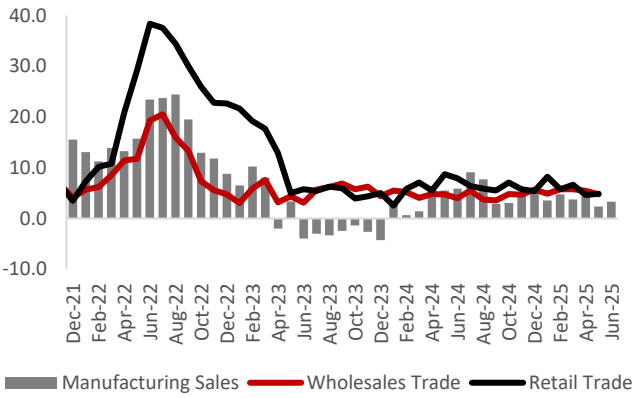
Source: Macrobond, MBSBR

Chart 5: IPI & Mfg. Sales (YoY%)



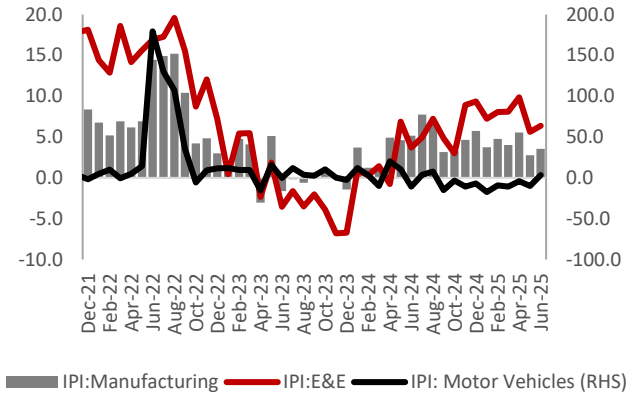
Source: DOSM, MBSBR

Chart 6: Mfg. Sales vs. Wholesale & Retail Trade (YoY%)



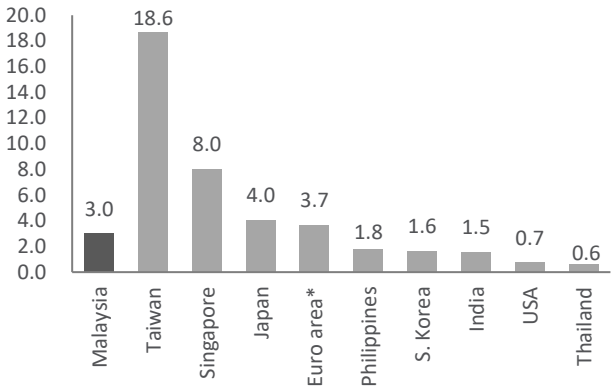
Source: DOSM, MBSBR

Chart 7: IPI: Mfg. vs IPI: Motor Vehicles & IPI: E&E (YoY%)



Source: Macrobond, MBSBR

Chart 8: Global IPI in Jun-25 (YoY%)



*Refers to the latest available data for May-25
Source: Macrobond, MBSBR

MBSB RESEARCH (formerly known as MIDF Research) is part of

MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank)

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MBSB INVESTMENT BANK BERHAD (formerly known as MIDF Amanah Investment Bank Berhad) 197501002077 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD).

The directors, employees and representatives of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MBSB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.